

Company Registration No. 04464432

COURTAULD INSTITUTE OF ART

Report and Financial Statements 31 July 2011

(- 23/11/2011)

COURTAULD INSTITUTE OF ART

Report and Financial Statements 31 July 2011

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COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 July 2011.

ACTIVITIES

The principal activities of the Institute are to carry out teaching, curating and research in the areas of art history and the conservation of wall and easel paintings, to operate an art gallery and to provide and maintain facilities and services in support of the principal activities. The Institute is a company limited by guarantee (company no. 4464432) and an exempt charity for the purposes of the Charities Act 1993 under the Exempt Charities Order 2002 No.1626.

Vision and Mission Statement

The Courtauld Institute of Art ("The Courtauld" or "the institute") has a vision to be a global centre for the understanding of art as essential to humanity/society.

The Courtauld Institute of Art exists to offer leadership in the fields of art history and conservation. As a global centre of excellence/expertise, its purpose is to open minds to the ideas and experiences inherent in art.

The scope of The Courtauld Institute of Art is unique. As a college of the University of London it brings together exceptional teaching and research in the history and conservation of art, and an outstanding art collection. It has an unmatched concentration of specialisms from antiquity to the present.

It benefits individuals and society by extending knowledge and activating the effects of art/informing their responses to art. It stimulates the cultural sector locally and globally by developing new ideas and expertise, and through its graduates it generates an evolving community of specialists who shape the art world.

We combine this character with a commitment to extend access to the important ideas and unique experiences offered by the visual arts.

We care for an outstanding art collection in the heart of London, and have library and image resources of exceptional significance. The Gallery encapsulates The Courtauld's mission to illuminate art for all.

Strategic Aims

- The Strategic Plan for the years to July 2015 was approved by the Governing Board in July 2011.

We are committed to excellence

We believe in nurturing, engaging and opening minds

Aims:

Our primary aims are:

- To carry out, promote and shape research at the highest level and as part of this role to act as a leading facilitator of national and international scholarship and expertise in our field.
- To offer, in the context of higher education, teaching programmes of optimum quality and effectiveness.
- To recruit to art history and conservation students with the highest academic, intellectual and technical potential; to support them at every level from registration to employment, providing opportunities to make the best contribution to society.
- To engage with the wider public through The Courtauld Gallery's outstanding collection and special exhibitions, through diverse and innovative public programmes and through the dissemination of excellent research.

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DIRECTORS' REPORT (continued)

The following supporting aims are critical to our successful achievement of these primary aims:

- To care for and develop the Gallery and library collections as a central resource for The Courtauld and as a key part of the national and the international infrastructure for teaching and research in our field;
- To secure The Courtauld's long-term sustainability by:
 - Maintaining financial viability and building a strong funding structure;
 - Achieving the highest standards in the leadership, governance and management;
 - Developing an estate which is fit for purpose and which has a physical infrastructure capable of meeting the needs of our current students, staff and visitors, and capable of providing for the needs of the future;
 - Delivering excellence and efficiency in the organisation, through the enhancement of systems (including electronic systems) and staff development.
- To enhance and broaden the reputation of The Courtauld and to develop effective marketing, to underpin all of our activities.

RESOURCES, RISKS AND RELATIONSHIPS

Introduction

The Courtauld became an independent college of the University of London in 2002. All staff, under the leadership of the Director and the Senior Management Team, continue to rise to the challenges collegiate status has brought and the Institute remains a world leader in its field.

Academic staff and their students have continued to achieve notable successes with highly regarded publications, prestigious awards, 'visiting' appointments and exhibitions at other world renowned galleries. Courtauld alumni continue to be recruited for top and senior positions in museums, galleries and other institutions throughout the world.

The Courtauld continues to receive excellent reviews for its own exhibitions, complementing the permanent collection, which is seen as one of the most important in Britain. Most of the collection cared for by The Courtauld Gallery is vested in the Samuel Courtauld Trust, an independent trust.

Public Benefit

The Charities Act 2006 places an obligation on charities to demonstrate explicitly how they provide public benefit, whereas previously it was automatically presumed that charities advancing education provided such benefits.

In setting our objectives and planning our activities our Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging. For the 2010-11 academic year, a total of 82 scholarships were awarded to 57 students in support of tuition fees and / or maintenance costs. In addition, the Courtauld continues to spend 25% of the additional fee income it has received from undergraduate students since the introduction of top up fees in 2006 on student bursaries and activities to encourage widening access to and participation in higher education by students from less advantaged backgrounds.

In order to ensure that no one is put off coming to The Courtauld Gallery as a result of the admission charge, The Courtauld offers a number of concessionary tickets as well as offering free admission for visitors under the age of 18, full-time UK students, staff of UK universities, registered unwaged and Friends of The Courtauld. Disabled visitors may bring in a helper without charge. Admission is free for all visitors on Mondays between 10.00 am and 2:00 pm except on public holidays. In the year to 31 July 2011, 145,000 of the 200,000 visitors to the Gallery received free or concessionary admission.

The Courtauld makes a significant contribution, via its research, teaching and other activities to both the advancement of education and the advancement of the arts, culture, and heritage; each of which are specific categories of charitable purposes as set out in the Charities Act 2006. Further details of how this has been achieved are detailed below.

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DIRECTORS' REPORT (continued)

Research

The Courtauld's reputation in the university and museum worlds is secured ultimately by the quality of its research contribution. At the same time, our work with students is research-led at every level, something which is highly valued by undergraduates as well as postgraduates.

Among key faculty developments, Dr Scott Nethersole took up his appointment as Lecturer in Italian Renaissance art and Elizabeth Reissner was appointed as Lecturer in the Department of Conservation and Technology and Dr Lucy Donkin took up a one year post in medieval art history. Dr Aviva Burnstock and Dr Sarah Wilson were promoted from Reader to Professor. Professor Paul Crossley retired at the end of July, and Dr Peter Stewart was due to leave The Courtauld to become Director of the Classical Art Research Centre at Oxford University; in his stead Dr Catherine Draycott was appointed to a one-year Lectureship in Classical Art to start in September 2011. The faculty was further enhanced by the appointment of Professor Richard Meyer as the 2010-11 Research Forum/Terra Foundation Visiting Professor and The Courtauld welcomed back Emeritus Professor Christopher Green to teach an MA course for a period of three years.

Our research community was enhanced by the appointment of: Kate Stonor and Clare Richardson as Caroline Villers Research Fellows in the field of Technical Art History, Dr Satish Pandey as a 3-year AHRC Science & Heritage Postdoctoral Fellow in the Department of Conservation of Wall Paintings, Dr Anthony Gardner as the Research Forum/Andrew W Mellon Foundation M.A. Postdoctoral Fellow, Dr Jim Harris as the Research Forum/Andrew W Mellon Postdoctoral Fellow and Activities Co-ordinator, and Kuenga Wangmo, as the Robert Y C Ho Research Fellow.

The high regard in which the Institute is held as a research community is underlined by the success of our staff and students in achieving external appointments and winning research awards. During the year:

- Dr Shulamith Behr was invited as a Visiting Scholar to MoMA (NYC) to coincide with the exhibition *German Expressionism: the Graphic Impulse* (April/May 2011).
- Professor Aviva Burnstock, Dr Caroline Campbell and Dr Joanna Cannon continued to lead The Andrew W. Mellon Foundation funded project on conservation documentation of the work by the Maestro di Figline with Dr Austin Nevin as the Andrew W. Mellon Fellow for this project.
- Professor Aviva Burnstock and Dr Austin Nevin secured a research grant from the British Academy to study "*Bernardo Daddi and his workshop: Theme and Variations*" to run from June 2010- May 2011.
- Sharon Cather continued a three year AHRC/ EPSRC award for a post-doctoral student in wall painting conservation under a new scheme which is part of The Science and Heritage Programme – taking forward recommendations made by the House of Lords Science and Technology Select Committee report on science and heritage in November 2006.
- Dr Georgia Clarke (as co-Investigator) and Dr Fabrizio Nevola, University of Bath (as Principal Investigator), received Follow-on funding for 2011-12 for their AHRC-funded 'Beyond Text' 'Street life and street culture: Between Early Modern Europe and the present' network.
- Professor John Lowden continued to lead the three-year project (funded by a grant of £240,000 by Thomson Works of Art Ltd.), *A Survey of Medieval Ivories*, and a funded project to digitize images of Wall Paintings in the Conway library.
- Professor John Lowden continued as co-investigator with Dr Scott McKendrick (principal investigator) on the AHRC Beyond Text three-year project on the Royal Manuscripts of the British Library.
- Professor Mignon Nixon held a Fellowship at the Radcliffe Institute for Advanced Study, Harvard University, and carried out research at the Getty Institute, Los Angeles under the aegis of a Getty Library Grant. Professor Mignon Nixon co-edits the MIT Press art criticism and theory journal *October*, New York.
- Building partly on the Wall Painting Conservation department's current research project on the wall paintings of Bhutan, Professor David Park is one of the organisers of the Buddhist Art Forum, a major event to be held at The Courtauld in spring 2012. Sponsored by the Robert H. N. Ho Family Foundation, the Forum will bring together monks, art historians and conservators to address the philosophical issues concerning Buddhism and the arts.

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DIRECTORS' REPORT (continued)

- Professor David Solkin held a Senior Fellowship at the Paul Mellon Centre for Studies in British Art.
- Dr Christine Stevenson acted as a member of the Advisory Council of the Paul Mellon Centre for Studies in British Art.
- Professor Lisa Tickner acted as a Trustee of the Art Fund and continued to sit on the Blue Plaques Panel, English Heritage. She also sat on the editorial board of *The Journal of the Wyndham Lewis Society*, the Section 11 Standing Committee of the British Academy and the Steering Committee for Tate's Leverhulme research project: '*Art School Educated: Curriculum Change in UK Art Schools 1960-2010*'.
- Professor Sarah Wilson held a Residency at the Dora Maar House in Menerbes, France, under the aegis of the Brown Foundation Fellows Program.
- Dr Christina Young was awarded a Fellowship of the International Institute for Conservation of Historic & Artistic Works, and elected as a Member of the Institute of Physics. She also carried out research as a Getty Guest Scholar at the Getty Conservation Institute, Los Angeles.

Significant publications (other than exhibition catalogues, which are reported below) by faculty, research students and curatorial staff this year include:

- *The Visual World of French Theory: Figurations*, published by Yale University Press in 2010 is the culmination of a continuing interdisciplinary project investigating the direct links between French philosophers and artists of their times (here Pierre Bourdieu, Louis Althusser, Michel Foucault, Gilles Deleuze, Jean-François Lyotard and Jacques Derrida).
- David Park and Robin Griffith Jones (eds): *The Temple Church in London: History, Architecture, Art*, Boydell Press, October 2010.
- "Creative Writing and Art History", a special issue of the journal *Art History* arising from the Research Forum's Writing Art History project.
- Charlotte de Mille (ed): *Music and Modernism, c. 1849-1950*, Cambridge Scholars Publishing, March 2011.
- Paul Hills: Watson Gordon Lecture 2009, *The Renaissance Image Unveiled: From Madonna to Venus*, the National Gallery of Scotland, 2010.
- Joanna Woodall and Stephanie Porras, Eva Bensasson (designer): *Picturing the Netherlandish Canon*, website resource at <http://www.courtauld.org.uk/netherlandishcanon/>.

Research by faculty, curatorial staff and our research students and post-doctoral fellows reaches beyond the professional to much wider publics through The Courtauld's own exhibitions and through faculty involvement in other major exhibitions, conferences and lecture programmes, often international in their impact. This year's exhibition activity included:

- *Devotion by Design: Italian Altarpieces before 1500*
Exhibition (co-curated with Jenny Sliwka) and catalogue by Dr Scott Nethersole, The National Gallery, 6 July – 2 October 2011.
- *One of a Thousand Ways to Defeat Entropy*
Exhibition co-curated by Alexander Ponomarev and Nadim Sammam. 54th Venice Biennale of Contemporary Art, the Arsenale Novissimo, 3 June to 27 November 2011.
- *Rodchenko and His Circle: Constructing the Future Through Photography*
Exhibition curated by Professor John Milner at Art Sensus, London, January to April 2011.
- *Cézanne's Card Players*
Exhibition and catalogue: Dr Barnaby Wright and Dr Nancy Ireson (eds), The Courtauld Gallery, 21 October 2010 to 16 January 2011.
- *Look Again... Stories of the World*
Project Leader: Henrietta Hine, The Courtauld Gallery, 10 February to 13 March 2011

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DIRECTORS' REPORT (continued)

- *Life, Legend, Landscape: Victorian Drawings and Watercolours*
Exhibition and catalogue: Dr Joanna Selborne (ed), The Courtauld Gallery, 17 February to 15 May 2011.
- *Toulouse-Lautrec and Jane Avril: Beyond the Moulin Rouge*
Exhibition and catalogue: Dr Nancy Ireson (ed), The Courtauld Gallery, 16 June to 18 September 2011.
- *Falling up: the gravity of art*
Curated by students of the MA Curating Programme 2010-11: The Courtauld Gallery, 23 June to 4 September 2011.

Courtauld doctoral graduates and post-doctoral fellows achieved significant successes and were appointed to the following academic positions:

- Benedict Burbridge was appointed to a lectureship in the Faculty of Art History at the University of Sussex to start 1 October 2011.
- Dr Anthony Gardner was awarded a 3 year research grant through the Australian Research Council on the history of biennales since the 1890s at the University of Melbourne.

Further examples of graduate successes in achieving employment in the arts sector are evidenced by the current employment of the 2009-10 MA Curating the Art Museum cohort:

- Alexandra Burnett, V & A (Autumn 2010 – April 2011), Curator (Maternity cover). White Cube (from April 2011), Project Co-ordinator.
- Ariane Belisle, Sotheby's, Intern.
- Aurica Schaible, Guggenheim, Venice (Spring), Intern. MoMA, Painting and Sculpture Department (from September), Intern.
- Juliet Chippindale, National Portrait Gallery, Intern. Queens College Cambridge (Development Office).
- Louise Elderton, Jerwood Space (Jan – Apr 2011), Residency. Blain Southern (from April 2011) Associate Curator.
- Mareike Spendel, Kunsthalle, Basel (August 2011), Six-month internship. DAAD, Wanderlust, exhibition curator.
- Rebecca Newell, Wallace Collection (Autumn 2010 – March 2011), Curating Assistant.

The Research Forum

The Research Forum sits at the heart of the Courtauld Institute and has developed activities with members of the academic staff in Art History, Conservation Departments, Courtauld Gallery, Development, Libraries and Public Programmes. It provides an exceptionally productive, lively research environment for The Courtauld's students and offers unrivalled opportunities for conference convening, research group participation and publishing for the doctoral and postdoctoral community here. It also forms a bridge into the wider academic community, drawing in participants from the art history world locally, nationally and internationally.

Full details of visiting scholars, curators and conservators, and the rich programme of conferences, seminars, symposia, workshops and lectures that made the Research Forum such a success in 2010-11 can be found in the Annual Review of the Research Forum on the Courtauld's website at <http://www.courtauld.ac.uk/researchforum/index.shtml>.

We are extremely grateful to the Andrew W. Mellon Foundation for their continued funding of the Research Forum, without whose support the Forum could not operate at its current high level of activity, and to the Terra Foundation for making possible the visits of our Terra Professor and Terra Postdoctoral Fellow.

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DIRECTORS' REPORT (continued)

Students and teaching

During the 2010-11 academic year UK higher education experienced a step change in how it was funded. The new Coalition Government, committed to reducing the national deficit, removed almost all teaching grants and put in place new mechanisms to make the sector more competitive, while at the same time seeking to ensure that access to higher education was available to all those who wished to benefit from it. For The Courtauld, such changes bring major challenges, not only in terms of how best to make up the loss in government funding, but also to ensure we continue to recruit the best students from all sectors of society.

Therefore, after much deliberation, The Courtauld determined that it would charge the maximum permitted undergraduate fee (£9000) from 2012 onwards, at the same time making a commitment to widen access even further through the development of new outreach activity and increased bursary support for students who need it most. The Institute's new Access agreement with the Office for Fair Access (OFFA) details the Institute's range of undergraduate bursaries designed to make university study possible for those otherwise unable to attend due to financial constraints.

In February 2011, The Courtauld was subjected to an Institutional Audit conducted by the Quality Assurance Agency. With each higher education institution responsible for ensuring that appropriate standards are being achieved and a good quality education offered, it is the Quality Assurance Agency's responsibility to safeguard the public interest in sound standards of higher education qualifications, and to encourage continuous improvement in the management of the quality of higher education. The audit team confirmed that confidence could be placed in the soundness of the institution's management of both the academic standards of its awards and the quality of the learning opportunities available to students.

Student numbers in 2010-11 were as follows. There were 361 home and EU students (2009-10: 361) and 96 overseas students (2009-10: 105) on undergraduate or postgraduate courses. A further 9 (2009-10: 10) students enrolled on the IES Study Abroad programme. The balance between the different programmes continued to favour postgraduate programmes, with 150 (2009-10: 153) students being registered for the BA in the History of Art, 195 (2009-10: 182) for taught postgraduate programmes, and 74 (2009-10: 61) for research degrees. *[NB: This is a full-time equivalent figure, where part-time students are counted as 50% of a full-time student. The figure does not include those research students who had completed their research and were in the process of writing up their thesis.]*

Examination results continued to reflect the high quality of our student body, and external examiners were full of praise for the teaching on all programmes. 53 students entered and passed the BA in the History of Art first-year examinations (2009-10: 45 entered and passed); 47 students entered and passed the BA second-year (2009-10 57 entered and passed); and 53 students entered and 51 passed the BA third-year (2009-10: 51 entered and passed). Because of special circumstances 2 students had to delay the completion of their exams until September. 19 students entered and 18 passed the Courtauld Graduate Diploma in the History of Art (2009-10: 14 entered and passed). 1 student retook the exam for 1 element of assessment in September. 139 (2009-10: 121) entered the MA in the History of Art Programme, of whom 135 (2008-09: 112) completed and passed the examination in June. 3 dissertations were delayed until September due to special circumstances. 9 (2009-10: 11) entered the MA in Curating the Art Museum Programme, of whom 7 (2009-10: 11) completed and passed the examination in September. 1 dissertation was deferred due to special circumstances. There were 5 students on each of the 3 years of the Postgraduate Diploma in the Conservation of Easel Paintings course, and 8 candidates successfully completed the 1st year of the three-year Wall Paintings Conservation MA. 9 candidates (2009-10: 11) were awarded BA degrees with first-class honours, 37 (2009-10: 29) achieved the MA with a Distinction and 22 candidates (2009-10: 16) were awarded a PhD.

Recruiting high quality students from outside the UK, especially North America, is a vital part of The Courtauld's strategy, so as to maintain our recruitment strengths internationally. To this important end The Courtauld has ensured compliance with the new Direct Loan scheme, introduced by the US Federal Government in 2010, to ensure that American students can continue to study here. The Study Abroad Programme also continues to grow, through collaborative schemes such as the IES, and a consortium of universities including Boston, Brown, Cornell and Pennsylvania.

The strength of our teaching lies in both its depth and its scope. We offer courses taught by leading specialists at every level, undergraduate and postgraduate, ranging from Antiquity to the 21st Century. The academic year 2011-12 will see the realisation of a long-held ambition, enshrined in our Strategic

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DIRECTORS' REPORT (continued)

Plan, to expand beyond the boundaries of the Western art tradition by making our first two permanent teaching appointments in the field of Asian art.

Duchy House

Student life and student needs extend beyond purely academic concerns. During 2008-09, the Institute entered into a long lease with the Duchy of Lancaster for the provision of student accommodation for 64 students. We have just completed our first very successful year in Duchy House, situated within a very short walk of Somerset House. In addition, the Courtauld is able to offer a number of rooms in University of London Intercollegiate Halls. The ability to offer such accommodation is of strategic importance, because the lack of such facilities can impact negatively on recruitment and might detract from the student experience.

Public Programmes

The Courtauld Institute of Art's Public Programmes Department continues to develop the scope of courses, events, resources and learning opportunities for the general public, and maintains an international reputation for innovation and excellence. The expansion of the short courses to include a wider range of subjects such as non-Western art history and contemporary art attracts an increasingly international and professional audience. The highly popular Introduction to Art History course is repeated several times each year and offers a challenging but accessible starting point for those new to the discipline.

Courtauld students at both undergraduate and postgraduate levels are involved in the programme through the regular Gallery Talks and Late Events, the Student Ambassador Scheme, the Tour Leaders training and the production of resources, all of which offer invaluable professional experience. Likewise, research students regularly contribute essays and other material to the learning resources that are available free to schools in the Gallery and on the website. Visiting Lecturers work closely with the Public Programmes team to devise and deliver art history projects for Further Education students; these initiatives will be developed further in the coming year as part of the Institute's widening participation efforts.

The Courtauld Gallery

2010-11 was a highly successful year for the Gallery. Attendance rose by 15% to 200,000, driven by the exhibition programme. The summer saw the Gallery undertake the complex refurbishment and reinstallation of the Fine Rooms on the first floor, and the reinstallation of the collection. Improvements were also made to the lighting and presentation of the front hall. A further major development was the creation of the IMAF Centre for Drawings at The Courtauld. Enabled by a gift of £600,000 from the International Music and Art Foundation, the Centre will concentrate on conservation, research, documentation, publications and programming in the drawings collection over a period of five years.

The major exhibition of the year was *Cézanne's Card Players* (21 October 2010 – 16 January 2011). Organised in collaboration with the Metropolitan Museum of Art in New York, this exhibition united Cézanne's famous paintings of card players with their preparatory sketches and closely related depictions of Provençal peasants. The exhibition drew 66,600 visitors at the Courtauld and almost 200,000 at the Metropolitan Museum. During the preceding summer the Gallery organised a special display showcasing acquisitions: *The Courtauld Collects: 20 Years of Acquisitions* (17 June 2010 – 19 September 2010). The final exhibition of the year was *Life, Legend, Landscape: Victorian Drawings and Watercolours* (17 February – 15 May). This exhibition presented new research on the Gallery's little known collection of Victorian works of art on paper. It also involved an innovative collaboration with faculty and research students from The Courtauld and the University of Bristol, who contributed to the catalogue. Each of the exhibitions was accompanied by a special curated display in room 12, our dedicated space for drawings and prints.

Additionally, the Gallery worked with the Public Programmes Department to present *Look again...*, (10 February – 13 March 2011) an exhibition of works by members of The Courtauld's Youth Council. This formed part of *Stories of the World*, the 2012 Cultural Olympiad. The Gallery also hosted *Falling up*, an exhibition organised as part of The Courtauld's MA in Curating the Art Museum.

Throughout the year the Gallery continued to generously support exhibitions and projects at other institutions, nationally and internationally, with a wide range of loans drawn from across the collection. During the year 48 works were loaned to 30 exhibitions and projects in 7 countries.

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DIRECTORS' REPORT (continued)

The collection in the care of the Gallery has continued to grow through acquisitions, gifts and bequests. These included: Chaim Soutine's *Young woman in a white blouse*, an oil of c.1923, and Peter Lely's *Portrait of a Woman*, both accepted by H.M. Government in lieu of inheritance tax and allocated to the Samuel Courtauld Trust, and 3 abstract drawings by Linda Karshan. New loans included a major oil by Francis Bacon *Untitled (Crouching figures)*, c.1952, lent by the Estate of Francis Bacon and Pablo Picasso's early masterpiece, *Child with a Dove* of 1901.

Important work was also undertaken on collections conservation. Significant progress was made with our programme of remounting drawings currently in acidic mounts. Major treatments in the collection of works on paper included Dante Gabriel Rossetti's *Venus Verticordia*. In the paintings collection the complex conservation of Reynolds's *Cupid and Psyche* was successfully completed. A grant was received from the Bank of America Merrill Lynch for the conservation of Rubens's *Cain and Abel*. A grant from the Clothworkers Company has enabled work to start on the treatment of an important Renaissance altarpiece in the collection: Gerino da Pistoia's *Virgin and Child Enthroned with Saints*.

Fundraising

Despite the tough economic conditions in which the Institute, in common with other HEIs has operated during the past year, annual fundraising continues to make a significant contribution to the institute's financial health. Donations from individuals have increased in comparison with the previous financial year, as has scholarship funding and gifts to the endowment fund. The three year HEFCE Matched funding scheme has been a valuable tool in assisting the Institute in its fundraising objectives over the year. Having successfully applied to tier 3 of the scheme, the institute succeeded in raising over £9.5m in eligible gifts over the three years to July 2011 generating the maximum potential £2.75m in matched funding available to institutes in that tier.

Financial position

The Courtauld Institute of Art is a small, specialist arts institution operating in a higher education sector where significant elements of public funding are being withdrawn over the next three years, after many years of considerable real terms reductions only partially offset by large increases in undergraduate fees. The Courtauld's total expenditure has increased by just 13% in cash terms since 2003, during which time non staff costs have been reduced by almost 4%. In that time the number of academic staff has increased by 24% while maintaining overall staff numbers at a constant level. It is therefore becoming increasingly difficult to reduce expenditure further to counter the effect of reductions in funding without damaging core services. None the less, we are continuing to take action wherever possible to increase our effectiveness and to develop our income streams to help ameliorate the known and anticipated funding cuts.

The group results for 2010-11 as contained in these financial statements show a surplus of £1,257,000 (2009-10: surplus of £528,000). Included in this result is the outcome for the Institute itself, a surplus of £1,259,000 (2009-10: surplus of £532,000). In operational terms, the group surplus is in fact £1,639,000 (2009-10: a surplus of £695,000) of which £1,641,000 relates to the Institute. The difference between the operational surplus and that recorded in these financial statements is the result of the treatment of transfers to and from fixed asset investments as required by the Statement of Recommended Practice: accounting for further and higher education ("SORP"). The improved performance year on year is the result of a number of different factors, including growth in tuition fees, philanthropic and commercial income as well as the improved returns on the Institute's endowment and investment portfolio.

Longer term prospects

As in all HE institutions we are acutely aware of the impact of the impending changes to teaching funding and tuition fees on the sector as a whole and the potential impact on the institute's finances. The Courtauld has an Access Agreement with the Office for Fair Access (OFFA) enabling it to charge fees in excess of £6,000 per annum to new Undergraduates from 2012-13. A decision on Postgraduate fees for that year, which are not controlled by the Government or HEFCE, is due to be made in autumn 2011.

The Senior Management Team has rigidly maintained its focus on the development and implementation of strategy while ensuring that all system, process and other management issues are dealt with in a way that continues to deliver improvements in operational and financial effectiveness.

Plans to broaden the range of Postgraduate provision are at an advanced stage and the institute intends to recruit two specialists in Asian Art during the course of 2011-12 with a view to offering Masters degrees

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DIRECTORS' REPORT (continued)

in that field from 2012-13. Discussions in other areas are on-going and further expansion within the next two to three years is possible.

In addition, senior management are continuing to maximise the potential of existing activities and to explore further complementary areas of income generation, and have identified a number of areas over and above those included in the medium term financial projections for further investigation. Updates on progress towards achieving targets in these areas are presented to the Finance Committee and Governing Board at each meeting, and the results incorporated into future forecasts as and when the ability to deliver on them becomes more certain. The Governing Board remains satisfied as to both the short and long term financial sustainability of the Institute.

Investment policy and performance

The Courtauld Institute Investment Committee is responsible for oversight of the Endowment (including the Institute's Fixed Asset Investments). The Committee establishes investment objectives, asset allocation policy, and investment strategies for each asset class within the portfolio. Overall investment objectives and goals are achieved by use of a diversified portfolio consistent with The Courtauld's return goals and risk tolerance. The Committee has developed an asset allocation strategy which sets minimum and maximum allocations for each asset class, a target asset allocation, and specifies benchmarks against which the performance of each asset category can be judged. While the investment horizon of The Courtauld is long-term, asset allocation is discussed at every meeting of the Committee and formally reviewed at least every year or as a significant change in The Courtauld's operations or financial condition may require.

The primary function of the Endowment is to provide enduring support for the academic mission of The Courtauld by releasing a substantial and reliable flow of funds to the operating budget, unless such a flow is not temporarily required. Maintaining the purchasing power of the Endowment to provide sustained programme support requires a disciplined spending policy to balance the demands of the present against the claims of the future. The Courtauld's spending rule uses a long-term spending rate combined with a smoothing rule that adjusts gradually to changes in Endowment market value.

The Courtauld retains external investment managers who have demonstrated skill in a particular asset class. Investment discretion is delegated to each manager, subject to this investment policy and any other written investment guidelines that the Committee may establish for a manager. A variety of management styles and investment vehicles are utilised as appropriate. In addition to active management, passive management may be used in asset classes where market efficiency is sufficiently high, such that active management is unlikely to result in added value. No more than 5% of the fund is invested in any one company, nor is more than 20% assigned to any one manager. The Courtauld retains the services of an advisor, Cambridge Associates, who have vast experience in the handling of Universities' and foundations' portfolios.

The Courtauld investments increased in value by a little more than 15% during the year ended 31 July 2011, after adjusting for new endowments and releases. Between the Balance Sheet date and 30 September 2011 the fund decreased in value by approximately £1.4m, a little under 4.5% on the valuation at 31 July.

Property issues

The Courtauld occupies the north block of Somerset House which includes extensive basements, extending under the north terrace of the Courtyard. The buildings date from around 1780 and are Grade 1 listed. The accommodation is held on long lease from Somerset House Trust which manages the whole of Somerset House.

Improvements continue to be made to the use of space in The Courtauld, and further improvements have been made in the year. Major works included a refresh of the Gallery entrance hall, fine rooms and second floor display areas. The west vault tanking project completely transformed our usable archive storage space and the programme of refurbishing The Courtauld's toilets continued. New boilers were installed during spring 2011 and new lifts are planned for autumn 2011.

Nevertheless, there remains scope for further improvement and in October 2011 the institute will be appointing external consultants to undertake a detailed space planning exercise looking at how it could enhance and develop the spaces it currently occupies in the North Wing of Somerset House in order to meet its priorities for future development. The study will be completed before a further assessment of the potential benefits of leasing space from Kings College is made.

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

The Estates Committee, chaired by Sir Angus Stirling, met three times during the course of this year.

The Directors who served during the year and up to the date of signing these financial statements were:

Nicholas Ferguson (Chairman)
Professor Caroline Arscott (to November 2010)
Sharon Cather
Professor Geoffrey Crossick
Dr Martin Halusa
Antony Hopkins
James Hughes-Hallett
Dr David Landau
Daniella Luxembourg
Aicha Mehrez (from July 2011)
Dr Nicholas Penny
Dr Neil Rudenstine
Charles Sinclair (from March 2011)
Anna Somers-Cox
Professor Julian Stallabross (from November 2010)
Dr Christine Stevenson
Sir Angus Stirling
Professor Deborah Swallow (The Director)
Joff Whitten

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable contributions in the year (2009-10 - nil).

Serious Incidents

The Institute is aware of guidance and the need to report serious incidents arising since 1 June 2010 to HEFCE. There have been no such reportable incidents since that date.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors:

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report has been prepared in accordance with the Accounting Standards Board's 'Reporting Statement: Operating and Financial Review' (January 2006).

Approved by the Board of Directors
and signed on behalf of the Board



Terry Hefford
Company Secretary

COURTAULD INSTITUTE OF ART

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The Courtauld's Principles of Governance

The Governing Board formally reviewed the CUC Governance Code of Practice, November 2004, at its meeting in July 2009 and confirmed its commitment to the Code, subject to a number of departures from the Guide, which are fully justifiable. The major ones are identified below, with the reasons –

- The Governing Board meets formally three times a year (CUC guidance is four). The Institute finds that one Board meeting a term continues to work particularly well because of the committee system in place and because individual Governors have frequent interaction and dialogue with Institute officers between Board and Committee meetings. In addition to the three formal meetings each year, the Board have an annual away day which considers a single issue in much greater detail than would otherwise be possible at a general meeting.
- The normal maximum terms of office are two terms of five years (CUC guidance is three terms of three years). The longer terms of office are helpful to the Institute, given the specialist nature of its work and the need to source and retain Governors with specific expertise.
- Board vacancies are not currently widely publicised (as recommended by CUC guidance). Advertising will be considered where and when appropriate but, at this stage in the Institute's evolution, potential new Governors are identified from current contacts, existing Courtauld supporters or by personal knowledge. Preliminary recommendations are then considered by the Nominations Committee before being submitted to the Board for formal approval. Staff Governors are selected from staff nominations by staff votes.
- The Institute's Memorandum and Articles of Association are its equivalent to Standing Orders. The Memorandum is currently being reviewed and changed; once this process is complete, a summary will be made available on the website.
- The Governing Board does not consider 'terms of appointment' and 'undertakings that Governors will act responsibly' to be appropriate. The expectation that all Governors will act responsibly is inherent in the Statement of Primary Responsibilities.

A Statement of Primary Responsibilities was adopted at the Governing Board meeting on 18 November 2009 and is produced below.

COURTAULD INSTITUTE OF ART

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The following information is given to assist readers of the financial statements in obtaining an understanding of the governance procedures applied by the Board.

The Courtauld is committed to following best practice in all aspects of corporate governance. This summary describes the manner in which The Courtauld has applied the principles set out in the HEFCE Audit Code of Practice. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The Courtauld's Governing Board is ultimately responsible for The Courtauld's system of internal control and for reviewing its effectiveness.

The system of internal control is based on a developing process designed:

- to identify the principal risks to the achievement of policies, aims and objectives;
- to evaluate the nature and extent of those risks; and
- to manage them effectively, efficiently and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. This process has been in place for the year ended 31 July 2011 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

The Governing Board meets three times a year and has several sub-committees which are as follows: Academic Board, Academic Promotions Committee, Audit Committee, Estates Committee, Finance Committee, Galleries and Academic Committee, Honorary Degrees Committee, Honorary Fellows Committee, Investments Committee, Marketing & Communications Committee, Nominations Committee, Remuneration Committee, and Resources Fundraising & Alumni Committee. All of these Committees are formally constituted with terms of reference. In all cases, the majority of the membership is lay and each of the Committees has a lay chair. In addition to the above, a Communications Committee is currently being established.

The current Chairman of the Board will retire in 2012. A sub-committee has been established to identify his replacement and a proposal will be made for consideration by the Board at its meeting in November 2011. The Academic Board is the institute body set up in accordance with Article 19 of the Articles of Association of the Courtauld Institute of Art. Subject to the responsibilities of the Governing Board and of the Director, the Academic Board shall be responsible for the following matters, having regard at all times to the educational character and objectives of the Courtauld as determined by the Governing Board:

- those relating to the teaching, courses, scholarship and research of the Courtauld; and
- those relating to the development of the academic activities of the Courtauld and the resources needed for them and advising the Director and the Governing Board thereon.

The Academic Promotions Committee meets twice a year and is responsible for the consideration of applications for promotion by Academic staff and recommendation to the Governing Board for the approval of any such promotions they consider to be appropriate.

The Audit Committee meets twice a year and is responsible for advising the Governing Board on the appointment or dismissal of the internal and external auditors, reviewing the effectiveness of internal controls; to receive reports from the National Audit Office or HEFCE; to consider audit reports from the internal and external auditors and management's response to those reports; to review the arrangements for the identification and management of risk; to advise the Governing Board on accounting policies and to review the Institute's annual report and accounts before their submission to the Governing Board. The internal auditors and the external auditors attend every meeting and following the meeting which considers the annual accounts the external auditors hold a private discussion with the members of the Committee, all of whom are lay, in the absence of the officers.

The Estates Committee meets three times a year and is responsible for oversight of the existing buildings, the creation of an Estates Strategy and evaluation of opportunities to develop or reconfigure the estate.

The Finance Committee meets three times a year and is responsible to the Governing Board for the financial management of The Courtauld. It advises the Board of Governors on all financial matters, in particular the annual estimates and accounts, matters regarding the strategic plan and the financial forecasts; and on risks to the strategic plan; and other general issues.

COURTAULD INSTITUTE OF ART

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

The Gallery and Academic Committee meets three times a year and deals on the Governing Board's behalf with matters referred to the Board from the academic activities of the Institute and with the Gallery and the relationship with the Samuel Courtauld Trust.

The Honorary Degrees Committee meets annually to request, collect and consider nominations for the award of an Honorary Doctorate of the University of London by the Courtauld Institute of Art in accordance with the Regulation 2 of the University of London and in accordance with procedures approved by the Governing Board, and to send recommendations for such awards to the Governing Board for approval.

The Honorary Fellows Committee meets annually to request, collect and consider nominations for Honorary Fellows and Emeritus Professorships and to send suitable recommendations for all such awards to the Governing Board for approval.

The Investments Committee meets three times a year and is responsible for the general strategy and policy on investments held or made by or on behalf of The Courtauld and deals with all matters relating to the implementation of such strategy and policy. It reviews the investment strategy, policy and performance at least annually, and it appoints any investment advisers and managers on such terms as the Committee shall think fit.

The Marketing & Communications Committee was established in 2010 and will normally meet twice a year and is expected to provide expert guidance to the Institute on marketing and communications issues from an external perspective; to advise the executive on the development and implementation of its marketing and communications strategy; to advise on an appropriate and effective structure for the operational delivery of marketing and communications; to advise on the on-going development of the Courtauld brand; to advise, review and assess all marketing communications for the different programmes and activities of The Courtauld (The Courtauld Gallery, the Research Forum, Degree courses/Student recruitment, Public programmes, Extension learning, and Fundraising) in relation to its various audience sectors; to challenge and stimulate new ideas and innovative approaches to marketing and communication; and to report each term to the Governing Board.

The Nominations Committee meets at least annually. Its role is to recommend criteria to the Governing Board, for selection and de-selection to the full range of lay and honorific appointments within The Courtauld on the conditions under which such appointments might be held; and to search for those whom the Board might wish to appoint to: lay governorship, lay chairmanships and lay membership of Courtauld committees and other bodies; and such other grades of lay or honorific appointment as the Board may wish from time to time to establish (except those appointed via the Academic Board or Students' Union).

The Remuneration Committee meets at least once a year and considers and recommends the salaries of all existing professorial staff and other staff on equivalent grades; and receives reports on salaries of members of staff newly-appointed or promoted to this level. It considers and determines the honoraria of senior academic office holders. It reports to the Governing Board on policy matters relating to senior salaries and it keeps under review policies for severance payments for professorial and equivalent staff. It recommends the salary of the Director and the Director of Resources (Company Secretary).

The Resources, Fundraising and Alumni Committee meets three times a year and is largely concerned with fund raising.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

Risk

The Governing Board formally accepted responsibility for the system of internal control at its July 2004 meeting and took steps to ensure that its risk management strategy was effective throughout the Institute and that from 1 August 2004 the Institute was fully compliant with HEFCE's requirements relating to risk.

During the year, the Governing Board has taken the following actions in relation to this:

- maintained a risk management policy for the Institute, setting out principles, processes, responsibilities and key risk areas;
- reviewed the strategic risk register, setting out key risks and how they are to be managed;
- received reports from the Audit Committee on the identification and management of risk;
- given executive responsibility for managing risk to the Director and the senior management team;
- considered the actions taken to manage the most serious physical risks identified; and
- ensured consistency in the level of risk assessed, among risks having the same probability/impact assessment.

The risk policy sets out a clear framework for:

- identifying and assessing risks, as part of the corporate planning process;
- monitoring the management of risks; and
- reviewing the process.

The Director of Resources is required to report regularly to the Audit Committee and the Governing Board about the process.

In order to get the maximum benefit from the risk management process, the Institute requires, as part of the planning process, active risk management not only at the corporate level but also at the operational level.

The Institute's risk register is being reviewed as part of the review of corporate strategy, which is expected to be completed during 2011.

As part of the risk management process, management consider the gross risk (i.e. the likelihood of a particular event taking place and the impact on the Institute of that event before taking account of any actions or controls that may be in place, or could be put in place, to manage and mitigate the identified risk) and the net risk (i.e. the likelihood and impact of an event after taking account of the actions and controls in place to prevent that event) for all risks identified as posing a significant threat to the future of the Institute and report on these to the Audit Committee at each meeting.

The three risks which are currently considered to be significant at the net risk level are:

1. The risk of failing to perform at the highest level in the next REF review

The results of the last RAE review were excellent from an academic viewpoint but, due to the decision to award research performance 'wherever it was found in the sector', HEFCE research funds were stretched in a number of ways and the financial reward for the RAE for The Courtauld was considerably lower than under the previous arrangements and therefore extremely disappointing.

The risk review underway is likely to assess this risk as 'the risk of failure to perform at the highest level in the next REF review'.

Action taken: A new research strategy is being developed, covering all aspects of research.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

2. Changes in Government/HEFCE funding

The fact that The Courtauld teaches a single, non-STEM subject makes it particularly vulnerable to cuts and reallocations of core T funding between subject areas. In such circumstances, a large university could equalise cuts and reallocations across its wider subject base.

We are also unsure of the continued availability of at least some lines of special funding. Recent meetings with HEFCE have emphasised that we are part of a very small group of institutions that are reliant on special funding and that HEFCE's brief is to produce a transparent system for the award of funding necessary to maintain small specialist institutions. We are contributing wherever possible to the development of this new methodology. However, whilst HEFCE appears to be supportive of the continuation of this funding in some way, it is quite clear that such a case will be highly dependent on the preservation of excellence as well as the level of funding available to HEFCE for distribution and the terms on which that funding is made available.

Our allocation of R funding should be safe until the next REF review, subject of course to any further overall cuts as a result of Government action.

Agreed action:

- to keep abreast of funding developments and to clearly understand the calculations applied by HEFCE,
- to continue to improve financial and other modelling so that we can accurately assess the impact of changes and take steps well in advance to deal with any reduction in income.
- keep in close contact with HEFCE to ensure that they are aware of the effect that any proposed changes would have on us.
- to ensure as far as possible we maximise central funding but also become less dependent on it.

3. Failure to meet fundraising targets

The uncertain nature of the activity is exacerbated by the world economic situation generally, although we continue to deliver excellent results in very difficult circumstances.

The funding programme continues to be given very high priority at Board level and at every level below. However, notwithstanding the progress that has been made so far, the likelihood of failing to meet future fundraising targets cannot be ignored, with the impact similarly affected by the number and/or size of donations.

Agreed action: To continue developing, refining and implementing a coherent development strategy and fund-raising campaign fit to deal with the current circumstances.

COURTAULD INSTITUTE OF ART

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE GOVERNING BOARD

The primary responsibilities of the Governing Board are derived from the Financial Memorandum with HEFCE dated July 2010 and Memorandum and Articles of Association of The Courtauld Institute of Art. They are:

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with the Companies Act 2006 the Board, as directors of The Courtauld Institute of Art, are responsible for the administration and management of the Institute and are required to present audited financial statements for each financial year.

In addition, the terms and conditions of a Financial Memorandum between the Higher Education Funding Council for England and the Board of The Courtauld, through its designated officer, require the Institute to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Institute and of the surplus or deficit and cash flows for that year. The designated officer for this purpose is the Director.

The directors are responsible for ensuring that income from the Higher Education Funding Council for England and grants and income for specific purposes and from other restricted funds administered by the Institute are applied for the purposes for which they were received to ensure that income has been applied, where appropriate, in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

The directors are also responsible for:

1. approving and measuring progress on achieving the mission and strategy of The Courtauld Institute of Art, its long-term academic and business plans and establishing and reviewing high-level key performance indicators (KPIs).
2. delegating authority to the Director of the Institute for the academic, corporate, financial, estate and human resources management of the Institute; and for establishing and keeping under regular review the policies and procedures for, including any limits to be applied to, the exercise of such management functions as shall be undertaken by and under the authority of the Director.

COURTAULD INSTITUTE OF ART

STATEMENT OF PRIMARY RESPONSIBILITIES OF THE GOVERNING BOARD (continued)

3. ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and management, and procedures for handling internal grievances and for managing conflicts of interest.
4. ensuring that processes are in place to monitor and evaluate the performance and effectiveness of the Institute against plans and KPIs.
5. establishing processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
6. conducting its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. safeguarding the good name and values of the Institute.
8. appointing the Chairman of the Governing Board and its sub-committees in accordance with the terms of office established in the Memorandum.
9. appointing the Director of The Courtauld Institute of Art
10. making such provision as it sees fit for the general welfare of the Institute's students, in consultation as appropriate with the Academic Board.
11. ensuring the institute's Memorandum and Articles of Association are followed at all times and that appropriate advice is available to enable this to happen.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF COURTAULD INSTITUTE OF ART

We have audited the group and Institute financial statements (the "financial statements") of Courtauld Institute of Art for the year ended 31 July 2011 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Institute Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Directors, in accordance with the Statutes of the Institute and to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Directors and to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors, the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Directors and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Board of Directors is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Institute's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and, the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and Institute as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006.
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and the Institute for specific purposes have been applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF COURTAULD INSTITUTE OF ART

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control (included as part of the Director's Report) is inconsistent with our knowledge of the Group and the Institute.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Courtauld, or returns adequate for our audit have not been received from branches not visited by us; or
- the Courtauld Institute of Art's financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit.



Neil Thomas (**Senior Statutory Auditor**)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square

Canary Wharf

London

E14 5GL

25.11.2011

COURTAULD INSTITUTE OF ART

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

Year ended 31 July 2011

	Note	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
INCOME			
Funding Council grants	2	4,561	4,391
Tuition fees and education contracts	3	2,627	2,085
Research grants and contracts	4	945	820
Other income	5	4,059	3,228
Endowment and investment income	6	1,291	1,360
TOTAL INCOME		13,483	11,884
EXPENDITURE			
Staff costs	7	5,977	5,849
Other operating expenses	9	5,326	4,892
Depreciation	12	539	444
Interest payable	10	2	4
TOTAL EXPENDITURE		11,844	11,189
SURPLUS ON CONTINUING OPERATIONS		1,639	695
Transfer to accumulated income within endowments	24	(382)	(167)
SURPLUS FOR THE YEAR RETAINED IN RESERVES		1,257	528

The income and expenditure account is in respect of continuing operations

COURTAULD INSTITUTE OF ART

STATEMENT OF THE CONSOLIDATED TOTAL RECOGNISED GAINS & LOSSES

Year ended 31 July 2011

	Note	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Surplus on continuing operations after depreciation on fixed assets		1,639	695
Total Returns on fixed asset investments	14	1,185	860
Total Returns on fixed asset investments released in the year	14	(223)	(354)
Total Returns on endowment asset investments	15	2,930	2,169
Total Returns on endowments released in the year	15	(1,064)	(1,003)
New endowments	23	958	1,120
TOTAL RECOGNISED GAINS		5,425	3,487
Reconciliation			
Opening reserves and endowments		24,972	21,485
Total recognised gains		5,425	3,487
Closing reserves and endowments		30,397	24,972

COURTAULD INSTITUTE OF ART

INSTITUTE BALANCE SHEET

As at 31 July 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Intangible assets	11	(51)	(115)
Tangible assets	12	3,632	3,281
Investments	14	9,087	6,951
		<hr/>	<hr/>
		12,668	10,117
ENDOWMENT ASSETS			
	15	21,491	18,285
CURRENT ASSETS			
Stocks	16	1	-
Debtors	17	1,950	2,307
Cash at bank and in hand		2,759	1,185
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		4,710	3,492
CREDITORS: amounts falling due within one year	18	(5,377)	(3,711)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(667)	(219)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		33,492	28,183
CREDITORS: amounts falling due after more than one year	19	(62)	(91)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(1,316)	(1,287)
		<hr/>	<hr/>
NET ASSETS		32,114	26,805
		<hr/>	<hr/>
DEFERRED CAPITAL GRANTS	22	1,739	1,857
		<hr/>	<hr/>
ENDOWMENTS			
Permanent Restricted	23	5,227	3,797
Permanent Unrestricted	23	11,518	10,186
Expendable Restricted	23	4,746	4,302
		<hr/>	<hr/>
TOTAL ENDOWMENTS		21,491	18,285
		<hr/>	<hr/>
RESERVES			
General reserve	24	7,153	6,003
Restricted reserves	24a	203	94
Revaluation reserve	24b	1,528	566
		<hr/>	<hr/>
TOTAL		32,114	26,805
		<hr/>	<hr/>

The financial statements of the Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 16 November 2011 and were signed on its behalf by:

Nicholas Ferguson, Chairman



COURTAULD INSTITUTE OF ART

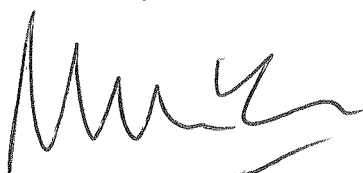
CONSOLIDATED BALANCE SHEET

As at 31 July 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Intangible assets	11	(51)	(115)
Tangible assets	12	3,663	3,300
Fixed asset Investments	14	9,087	6,951
		<u>12,699</u>	<u>10,136</u>
ENDOWMENT ASSETS			
	15	21,491	18,285
CURRENT ASSETS			
Stocks	16	106	105
Debtors	17	1,853	2,175
Cash at bank and in hand		2,785	1,233
TOTAL CURRENT ASSETS		<u>4,744</u>	<u>3,513</u>
CREDITORS: amounts falling due within one year	18	(5,420)	(3,727)
NET CURRENT LIABILITIES		<u>(676)</u>	<u>(214)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,514</u>	<u>28,207</u>
CREDITORS: amounts falling due after more than one year	19	(62)	(91)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(1,316)	(1,287)
NET ASSETS		<u>32,136</u>	<u>26,829</u>
DEFERRED CAPITAL GRANTS			
	22	1,739	1,857
ENDOWMENTS			
Permanent Restricted	23	5,227	3,797
Permanent Unrestricted	23	11,518	10,186
Expendable Restricted	23	4,746	4,302
TOTAL ENDOWMENTS		<u>21,491</u>	<u>18,285</u>
RESERVES			
General reserve	24	7,175	6,027
Restricted reserves	24a	203	94
Revaluation Reserve	24b	1,528	566
TOTAL		<u>32,136</u>	<u>26,829</u>

The financial statements of the Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 16 November 2011 and were signed on its behalf by:

Nicholas Ferguson, Chairman



COURTAULD INSTITUTE OF ART

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2011

	Note	Year ended 31 July 2011 £'000	Year ended 31 July 2010 £'000
Cash flow from operating activities	25	2,549	(625)
Returns on investments and servicing of finance	26	1,289	1,356
Capital expenditure and financial investment	27	(2,273)	(342)
Management of liquid resources	28	-	-
Financing	29	(29)	(502)
Increase/ (Decrease) in cash in the year	30	1,536	(113)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase/ (Decrease) in cash in the year		1,536	(113)
Decrease in debt	29	29	502
Cash (outflow)/ inflow from endowment asset investments	30	(458)	1,446
Cash (outflow)/ inflow from fixed asset investments	30	(111)	556
Movement in net funds in year		996	2,391
Net funds at 1 August	30	2,888	497
Net funds at 31 July		3,884	2,888

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

1. STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of endowment asset investments.

Basis of consolidation

The consolidated financial statements include the Institute and its subsidiary undertakings for the financial year ended 31 July 2011. Details of the Institute's subsidiary undertakings are provided in note 13 to the financial statements. The financial statements have been consolidated under the acquisition method of accounting.

The Courtauld Institute of Art Fund (CIAF) is a charity registered under the Charities Act 1993, number 288509. Its principal activity is to raise funds for the benefit of the Courtauld Institute of Art. In accordance with Section 97 of the Act, CIAF is treated as a special trust for accounting purposes and its activities and results have therefore been aggregated into the Institute's results for the year.

Surplus attributable to The Courtauld Institute of Art

The surplus for the financial year dealt within the financial statements of the parent Institute, Courtauld Institute of Art, was £1,259,000 (2009/10: surplus of £532,000). Included within the results for 2010/11 was a restricted surplus of £109,000 attributable to CIAF (2009/10: surplus of £53,000, see above and note 24a). As permitted by Section 408 of the Companies Act 2006, no separate income and expenditure account is presented in respect of the parent Institute.

Going Concern

The company's business activities and plans for the future are set out in the Directors' Report on page 2. The directors have considered these plans and the budget for the year ahead in their assessment of adopting the going concern basis for the preparation of these financial statements.

In making this assessment the directors have produced future forecasts which show that the company will be able to manage its working capital and existing resources to enable it to meet its liabilities as they fall due. The directors acknowledge that the impact of the current economic environment is uncertain, and are managing this uncertainty and its impact on the forecasts on a regular basis.

Based on these factors, the directors have prepared these financial statements on the going concern basis.

Revenue Recognition

Non-recurrent grants from the Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from research grants, contracts and other services rendered is accounted for on an accruals basis and is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the period and any related contributions towards overhead costs. Any payments received in advance of such performance are recognised on the balance sheet as liabilities. All income from non-endowment related short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Fee income is stated gross and credited to the income & expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income

Income and expenditure related to the Summer School which runs for the four weeks ending in the first week of August each year is treated as falling in full in the year in which the summer school commences.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institute are recognised in the statement of consolidated total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

Endowments

Permanent Endowments are invested on a total return basis. Returns on investments are credited to the income and expenditure account to the extent that they have been applied for the purposes intended by the donor. Returns beyond this amount are retained within the unapplied total return fund as part of the endowment until such time as they are applied by the Institute and a transfer is made to the income and expenditure account.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of consolidated total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Exchange differences are dealt with in the income and expenditure account, except in respect of foreign exchange variations in respect of future endowments, any exchange variations for which are shown in the statement of total recognised gains and losses.

Pension Schemes

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (SP2). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the amount payable to the scheme in respect of the accounting period.

The Institute also participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

SCT Enterprises Limited contributes to two defined contribution schemes on behalf of its employees. In accordance with FRS17, contributions to these schemes are included as expenditure in the period in which they are payable.

Negative goodwill

Negative goodwill arising upon acquisitions is included within intangible assets and is released to the income and expenditure account over the life of the tangible assets to which it relates. Any residual negative goodwill is recognised in the income and expenditure account in the period expected to benefit.

Tangible fixed assets

a) Land and buildings

Improvements to leasehold land and buildings are amortised over 10 years or, if shorter, the remaining period of the lease.

Where assets related to land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out annually for residential buildings and otherwise if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

b) Equipment

Equipment costing less than £10,000 per individual item or set of similar items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

General equipment - 10% per annum from the year of acquisition

Computer equipment - 33% per annum from the year of acquisition

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related fixed assets.

c) Rare books and artefacts

Rare books and artefacts (Heritage Assets) and valued at £853,000 are capitalised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2011

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Listed assets are included in the balance sheet at market value.

Investments that form part of endowment assets are included in the balance sheet at market value. Current asset investments are included in the balance sheet at the lower of their original cost and net realisable value.

Stocks

Stocks are stated at the lower of their cost and net realisable value.

Taxation

The Institute is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied to exclusively charitable purposes.

The Institute receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

SCT Enterprises Limited is subject to corporation tax and Value Added Tax in the same way as any commercial organisation and current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2 FUNDING COUNCIL GRANTS

	Year ended 31 Julv 2011 £'000	Year ended 31 Julv 2010 £'000
Recurrent grant from HEFCE	2,968	3,012
Matched Funding Scheme	1,142	888
Deferred Capital Grants released	267	137
Other specific grants from HEFCE	184	354
	<u>4,561</u>	<u>4,391</u>

3 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 Julv 2011 £'000	Year ended 31 Julv 2010 £'000
UK Higher Education students	973	942
European Union (EU) (excluding UK)	465	162
Non-EU students	1,078	891
Total fees paid by or on behalf of individual students	2,516	1,995
Other education income	111	90
	<u>2,627</u>	<u>2,085</u>

4 RESEARCH GRANTS AND CONTRACTS

	Year ended 31 Julv 2011 £'000	Year ended 31 Julv 2010 £'000
Research councils	127	42
UK based charities	51	65
EU Charity	88	23
Other grants and contracts	679	690
	<u>945</u>	<u>820</u>

5 OTHER INCOME

	Year ended 31 Julv 2011 £'000	Year ended 31 Julv 2010 £'000
Donations	1,834	1,442
Deferred Capital Grants released	36	29
The Courtauld Gallery- admissions and events	502	436
SCT Enterprises Ltd (The Gallery Shop)	706	625
Residences and accommodation	501	204
Other income	480	492
	<u>4,059</u>	<u>3,228</u>

6 ENDOWMENT AND INVESTMENT INCOME

	Year ended 31 Julv 2011 £'000	Year ended 31 Julv 2010 £'000
Income from endowments released to I&E account (note 23)	1,064	1,003
Other investment income	227	357
	<u>1,291</u>	<u>1,360</u>

7 STAFF COSTS

The average weekly number of persons (including directors) employed by the Group during the year, expressed as full-time equivalents, was:

	Year ended 31 Jul 2011	Year ended 31 Jul 2010
	No	No
Teaching departments	33	36
Teaching support services	2	2
Gallery & Libraries	21	20
Administration and central services	44	43
Premises	5	4
Other	13	13
	<u>118</u>	<u>118</u>
Staff costs for the above persons:	£'000	£'000
Wages and salaries	4,967	4,867
Social security costs	433	423
Pension costs	577	559
	<u>5,977</u>	<u>5,849</u>

The number of staff, including the directors, who received emoluments (excluding employers pension contributions) of more than £100,000 in the financial year was:

	Year ended 31 Jul 2011	Year ended 31 Jul 2010
	No	No
£170,000- £180,000	<u>1</u>	<u>1</u>

8 SENIOR POST HOLDER'S EMOLUMENTS

The emoluments of the Director of the Institute are as follows –

	Year ended 31 Jul 2011	Year ended 31 Jul 2010
	£'000	£'000
Salary	174	173
Pension contributions	28	27
	<u>202</u>	<u>200</u>

Pension contributions are in respect of employer's contributions to the Universities Superannuation Scheme and are paid at the same rate as for other employees.

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs	Other operating expenses*	Depreciation	Year ended 31 July 2011	Year ended 31 July 2010
	£'000	£'000	£'000	Total £'000	Total £'000
Teaching departments	2,641	1,157	-	3,798	3,583
Academic information services	525	154	-	679	664
Gallery	591	719	28	1,338	1,160
Administration and central services	1,735	927	204	2,866	3,009
Premises costs	-	1,547	297	1,844	1,572
Planned maintenance	-	300	-	300	272
Other income generating activities - Institute	247	109	-	356	331
Other income generating activities - subsidiaries	238	415	10	663	598
	<u>5,977</u>	<u>5,328</u>	<u>539</u>	<u>11,844</u>	<u>11,189</u>

* other operating expenses includes interest payable (see note 10).

9 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)	Year ended	Year ended
	31 July 2011	31 July 2010
	Total	Total
	£'000	£'000
Other operating expenses include:		
Amortisation of negative goodwill	(64)	(64)
Auditors' remuneration		
- statutory audit	44	42
- other services	11	-
Hire of other assets	11	13
Operating Leases	441	207

The external audit fee for the Institute was £40,950 (2009-10: £39,000)

Other services provided by the auditors related to assistance and advice in arranging a PAYE settlement agreement and obtaining a P11D dispensation from HM Revenue & Customs

10 INTEREST PAYABLE	Year ended	Year ended
	31 July 2011	31 July 2010
	£'000	£'000
On bank loans and other loans:		
Repayable within 5 years by instalments	2	4
	<u>2</u>	<u>4</u>

11 INTANGIBLE FIXED ASSETS	Negative goodwill	
	Institute	Group
	£'000	£'000
Cost		
At 1 August 2010 and 31 July 2011	(599)	(1,080)
Amortisation		
At 1 August 2010	484	965
Released in the year	64	64
At 31 July 2011	548	1,029
Net book value		
At 31 July 2011	(51)	(51)
At 31 July 2010	(115)	(115)

Negative goodwill for the Institute relates to the difference between the value of assets acquired on independence from the University of London and the amount paid for those assets. Negative goodwill for the Group additionally includes the difference between the value of assets acquired on the takeover of SCT Enterprises Ltd and the price paid for those assets.

12 TANGIBLE FIXED ASSETS	Institute				
	Leasehold land and buildings	Rare books and artefacts	Computer equipment	General equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2010	2,653	853	501	1,456	5,463
Additions					
At 31 July 2011	600	-	139	141	880
	<u>3,253</u>	<u>853</u>	<u>640</u>	<u>1,597</u>	<u>6,343</u>
Depreciation					
At 1 August 2010	1,069	-	460	653	2,182
Charge for year					
At 31 July 2011	296	-	75	158	529
	<u>1,365</u>	<u>-</u>	<u>535</u>	<u>811</u>	<u>2,711</u>
Net book value					
At 31 July 2011	1,888	853	105	786	3,632
At 31 July 2010	1,584	853	41	803	3,281
Inherited	-	853	-	-	853
Financed by capital grant	1,679	-	80	81	1,840
Other	209	-	25	705	939
	<u>1,888</u>	<u>853</u>	<u>105</u>	<u>786</u>	<u>3,632</u>

12 TANGIBLE FIXED ASSETS (continued)
Group

	Leasehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2010	2,653	853	508	1,547	5,561
Additions	600	-	139	163	902
At 31 July 2011	3,253	853	647	1,710	6,463
Depreciation					
At 1 August 2010	1,069	-	467	725	2,261
Charge for year	296	-	75	168	539
At 31 July 2011	1,365	-	542	893	2,800
Net book value					
At 31 July 2011	1,888	853	105	817	3,663
At 31 July 2010	1,584	853	41	822	3,300
Inherited	-	853	-	-	853
Financed by capital grant	1,708	-	80	81	1,869
Other	209	-	25	736	970
	1,917	853	105	817	3,692

13 SUBSIDIARY UNDERTAKINGS
Institute

The Institute has the following subsidiary undertaking:

Name	Ownership	Year end
SCT Enterprises Limited	100%	31/07/2011

SCT Enterprises Limited is a company registered in England and Wales and its principal activity is the sale of items related to the Courtauld Institute Gallery and its collections.

14 FIXED ASSET INVESTMENTS
Institute and Group

	2011 £'000	2010 £'000
Balance brought forward at 1 August	6,951	6,183
Total Returns accrued in the year	1,185	860
Income received transferred to income & expenditure account	(223)	(354)
Transfers from general reserves	1,174	262
Balance at 31 July	9,087	6,951
Represented by:		
Unit Trusts and Investment Trusts	8,710	6,463
Cash balances	377	488
	9,087	6,951

15 ENDOWMENT ASSETS
Institute and Group

	2011 £'000	2010 £'000
Balance brought forward at 1 August		
Capital	15,491	14,204
Unapplied Total Returns	2,794	1,628
	18,285	15,832
Additions (note 22)	958	1,120
Total Returns on endowment asset investments	2,930	2,169
Income received transferred to income & expenditure account	(1,064)	(1,003)
Transfer of accumulated income from general reserves	382	167
Balance at 31 July	21,491	18,285
Represented by:		
Unit Trusts and Investment Trusts	20,456	16,854
Cash balances	814	1,272
Amounts owing from benefactors & others	221	159
	21,491	18,285

In accordance with the the 2007 HE SORP which replaced the previous analysis of endowment assets (specific or general) with a revised set of classifications (Permanent restricted, Permanent unrestricted and Expendable restricted (see Note 23)) those assets that are both expendable and unrestricted can no longer be described as endowments and have therefore been reclassified as Fixed Asset Investments within these financial statements. However for the purpose of managing the investment portfolio and for all other management and administrative purposes, the endowment asset investments and fixed asset investments continue to be administered jointly in a single fund which was valued at £30.578m at 31 July 2011. (31 July 2010: £25.236m)

16 STOCKS	Institute		Group	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Finished goods	1	-	106	105
17 DEBTORS	Institute		Group	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade and student debtors	72	52	78	55
Amounts due from subsidiary undertakings	118	148	-	-
Taxation and VAT recoverable	91	58	91	58
HEFCE Match Funding Grants	1,314	1,346	1,314	1,346
Other Accrued Revenue	144	524	157	524
Other debtors	18	16	18	16
Prepayments	193	163	195	176
	1,950	2,307	1,853	2,175

HEFCE Match funding is paid according to a profile determined by HEFCE, with the final payment due July/ August 2012.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Institute		Group	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank loan	30	30	30	30
Payments received in advance	4,449	2,922	4,449	2,922
Trade creditors	476	399	492	418
Amounts due to subsidiary undertakings	1	26	-	-
Accruals	227	193	233	201
Other taxation and social security	146	119	168	134
Other creditors	48	22	48	22
	5,377	3,711	5,420	3,727

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Institute and Group	
	2011 £'000	2010 £'000
Bank loan	62	91
	62	91

20 BORROWINGS	Institute and Group	
	2011 £'000	2010 £'000
Loans are repayable as follows:		
In one year or less	30	30
Between one and two years	30	30
Between two and five years	32	61
	92	121

Interest is payable on the unsecured loan from the bank at variable rates, linked to the lender bank's base rate. Interest payable on the bank loan was 1.5% throughout the year.

21 PROVISIONS FOR LIABILITIES AND CHARGES	Dilapidations	
	2011 £'000	2010 £'000
Institute and Group		
At 1 August	1,287	1,089
Transferred from income and expenditure account	225	225
Utilised in year	(196)	-27
At 31 July	1,316	1,287

The dilapidations provision relates to costs to be incurred in returning the premises licensed from Somerset House Trust to their original condition.

22 DEFERRED CAPITAL GRANTS

Institute and Group	Balance at 1 August 2010 £'000	Received in year £'000	Released in year £'000	Balance at 31 July 2011 £'000
HEFCE- Leasehold land and buildings	(1,445)	(42)	223	(1,264)
HEFCE- General Equipment	(17)	(120)	44	(93)
Other- Land and buildings	(304)	-	26	(278)
Other- General Equipment	(91)	(23)	10	(104)
	<u>(1,857)</u>	<u>(165)</u>	<u>303</u>	<u>(1,739)</u>

Capital grants are deferred and released to the Income & Expenditure account over the useful economic life of the asset against the related depreciation charge in proportion to the level of the grant received.

23 ENDOWMENTS

Institute and Group	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2011 £'000	Total 2010 £'000
At 1 August 2010						
Capital	3,358	7,831	11,189	4,302	15,491	14,204
Unapplied Total Returns	439	2,355	2,794	-	2,794	1,628
	<u>3,797</u>	<u>10,186</u>	<u>13,983</u>	<u>4,302</u>	<u>18,285</u>	<u>15,832</u>
Received in the year	896	-	896	62	958	1,120
Total Returns accrued in the year	661	1,613	2,274	656	2,930	2,169
Total Returns transferred to income & expenditure account (note 6)	(127)	(281)	(408)	(656)	(1,064)	(1,003)
Transfer of accumulated income from general reserves	-	-	-	382	382	167
At 31 July 2011						
Capital	4,254	7,831	12,085	4,746	16,831	15,491
Unapplied Total Returns	973	3,687	4,660	-	4,660	2,794
	<u>5,227</u>	<u>11,518</u>	<u>16,745</u>	<u>4,746</u>	<u>21,491</u>	<u>18,285</u>
Representing						
Fellowships and scholarships funds	1,915	218	2,133	1,598	3,731	3,515
Prizes funds	12	-	12	-	12	10
Chairs and lectureships funds	1,761	-	1,761	1,845	3,606	2,379
Other funds	1,539	11,300	12,839	1,303	14,142	12,381
	<u>5,227</u>	<u>11,518</u>	<u>16,745</u>	<u>4,746</u>	<u>21,491</u>	<u>18,285</u>

The Board has resolved that income up to a maximum of 4% of the current value of unrestricted endowments should be released to the Income & Expenditure Account, to cover any residual operating deficit of the Institute.

The Institute operates a total returns policy in respect of its endowment and fixed asset investments. Releases to the income & expenditure account and transfers to general reserves are accordingly based on income and growth realised during the year, subject to the conditions for the use of funds being met in the case of restricted funds and the limits imposed by the board in the case of unrestricted funds.

Included within the table above, the Institute holds two permanent unrestricted endowments that could be considered to be material charitable funds. The funds, each of which was given to support the long term financial sustainability of the institute, can be analysed as follows:

	The Garfield	
	Lisbet Rausig £'000	Weston Foundation £'000
At 1 August 2010		
Capital	5,000	1,000
Unapplied Total Returns	1,957	362
	<u>6,957</u>	<u>1,362</u>
Total Returns accrued in the year	1,101	215
Total Returns transferred to income & expenditure account (note 6)	(340)	(53)
At 31 July 2011		
Capital	5,000	1,000
Unapplied Total Returns	2,718	524
	<u>7,718</u>	<u>1,524</u>

24 MOVEMENT ON GENERAL RESERVES

	Institute £'000	Group £'000
At 1 August 2010	6,003	6,027
Surplus retained for the year	1,532	1,530
Transfers to accumulated income within endowments	(382)	(382)
At 31 July 2011	<u>7,153</u>	<u>7,175</u>

24a	MOVEMENT ON RESTRICTED RESERVES			
	Institute and Group		Year ended	
			31 July 2011	
			£'000	
	At 1 August 2010		94	
	CIAF surplus retained for the year		109	
	At 31 July 2011		<u>203</u>	
24b	MOVEMENT ON REVALUATION RESERVES			
	Institute and Group		Year ended	
			31 July 2011	
			£'000	
	At 1 August 2010		566	
	Total Returns on fixed asset investments		1,185	
	Income received transferred to income & expenditure account		(223)	
	At 31 July 2011		<u>1,528</u>	
25	RECONCILIATION OF OPERATING SURPLUS/ (DEFICIT) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES			
		Year ended	Year ended	
		31 July 2011	31 July 2010	
		£'000	£'000	
	Surplus on continuing operations	1,639	695	
	Depreciation	539	444	
	Amortisation of negative goodwill	(64)	(64)	
	Increase in stocks	(1)	(17)	
	Decrease/ (Increase) in debtors	322	(960)	
	Increase in creditors	1,677	601	
	Increase in provisions	29	198	
	Interest receivable	(1,291)	(1,360)	
	Interest payable	2	4	
	Deferred capital grants released	(303)	(166)	
	Net outflow from operating activities	<u>2,549</u>	<u>(625)</u>	
26	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
		2011	2010	
		£'000	£'000	
	Income from endowments	1,064	1,003	
	Other interest received	227	357	
	Interest paid	(2)	(4)	
	Net cash inflow from returns on investments and servicing of finance	<u>1,289</u>	<u>1,356</u>	
27	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
		2011	2010	
		£'000	£'000	
	Purchase of tangible fixed assets	(902)	(313)	
	Capital grants received	185	400	
	Endowment income received	(382)	(167)	
	Income received from fixed asset investments	(1,174)	(262)	
	Net cash outflow from capital expenditure and financial investment	<u>(2,273)</u>	<u>(342)</u>	
28	MANAGEMENT OF LIQUID RESOURCES			
		2011	2010	
		£'000	£'000	
	Movement in Endowment Assets	-	-	
29	FINANCING			
		2011	2010	
		£'000	£'000	
	New loans	-	8	
	Repayment of loans	(29)	(510)	
		<u>(29)</u>	<u>(502)</u>	
30	ANALYSIS OF CHANGES IN NET FUNDS			
		At 1 August	Cash flows	At 31 July
		2010		2011
		£'000	£'000	£'000
	Cash at bank and in hand	1,233	1,552	2,785
	Endowment asset investments (note 15)	1,272	(458)	814
	Fixed Asset investments (note 14)	488	(111)	377
	Debt due within one year	(30)	-	(30)
	Debt due after more than one year	(91)	29	(62)
	Correction to balances brought forward at 1 August	16	(16)	-
	Total	<u>2,888</u>	<u>996</u>	<u>3,884</u>

31 PENSION AND SIMILAR OBLIGATIONS

University Superannuation Scheme (USS)

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (SP2). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the amount payable to the scheme in respect of the accounting period.

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pension Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rate of increase in salary and pensions and the assumed rate of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An "inflation risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above. The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,013 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 81%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The next formal triennial actuarial valuation is due as at 31 March 2011 and the report of this valuation is expected to be published in early 2012. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and The Courtauld had 64 active members participating in the scheme.

The total pension cost for the institution was £467,000 (2010: £458,000). The contribution rate payable by the institution was 16% of pensionable salaries.

31 PENSION AND SIMILAR OBLIGATIONS (continued)**Superannuation Scheme of the University of London (SAUL)**

The Institute participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Courtauld Institute of Art has now adopted FRS17 for accounting for pension costs. It is not possible to identify the The Courtauld's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method:	Projected unit	
	Past Service	Future Service
Investment return on liabilities:	6.9% p.a.	7.0% p.a.
- before retirement	4.8% p.a.	5.0% p.a.
- after retirement		
Salary growth*	4.85% p.a.	4.85% p.a.
Pension increases	3.35% p.a.	3.35% p.a.

*excluding an allowance for promotional increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,266 million representing 100% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008).

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 100% to 90% on the technical provisions basis in the two years since the last formal valuation took place. The unaudited market value of SAUL's assets was £1,391 million as at 31 March 2010.

On the FRS17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 81%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

The total pension cost for the institution was £101,000 (2010: £96,000). The contribution rate payable by the institution was 13% of pensionable salaries.

The next formal actuarial valuation is due as at 31 March 2011 when the above rates will be reviewed. The result of the valuation is expected to be published in early 2012.

32 FINANCIAL COMMITMENTS

At 31 July 2011 the Group and the Institute had annual commitments under non-cancellable operating leases as follows:

	2011	2010
	£'000	£'000
Land and buildings		
Expiring in over five years	606	440

The Institute occupies the North block of Somerset House under a lease dated 1 December 1987. The annual rent payable under the terms of the lease is subject to review every five years with the next review due to take place in July 2012. The current terms include a peppercorn rent on the 'fine rooms' which house the public area of The Courtauld Gallery.

In April 2009, the Institute entered into a 30 year lease (with a break clause after 15 years) with the Duchy of Lancaster for the provision of student accommodation at Duchy House. Following an initial rent free period, annual rent became payable in January 2011.

33 RELATED PARTY TRANSACTIONS

On 20 May 2003, the Institute invested £300,000 of endowment assets in SVG Capital plc (formerly Schroder Ventures International Investment Trust plc) convertible bonds. In accordance with the terms and conditions of the bonds, they were converted into ordinary shares of the company on 13 June 2006 and the Institute elected to retain the shares. Nicholas Ferguson, Chairman of the Courtauld Institute of Art, is also Chairman of SVG Capital plc.

During the year, the Institute paid £116,000 to the University of London, of which the Institute is an independent

College (2009-10 £602,000 of which £482,000 was in connection with the loan referred to in notes 18 and 19).

During the year the Institute acted as Custodian for the works of art displayed and stored in the Courtauld Gallery but owned by the Samuel Courtauld Trust and others. Nicholas Ferguson and Sir Angus Stirling are also directors of the Samuel Courtauld Trust.

During the year the Institute received donations from Nicholas Ferguson of £7,000 (2009-10 £347,000) and from Martin Halusa of £481,000 (2009-10 £97,000). Both Mr Ferguson and Mr Halusa are Directors of the Institute.

No payment was made to any director for expenses relating to their role as a Director (2009-10: £Nil).

34 CONTROLLING PARTY

The Institute is a company limited by guarantee without any share capital and members, hence there is no controlling party.